

Senate Study Bill 1103 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON BOLKCOM)

A BILL FOR

1 An Act exempting from the sales tax the sales price of certain
2 items directly and primarily used in the production of
3 electricity.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 423.3, subsection 47, paragraph a, Code
2 2015, is amended by adding the following new subparagraph:

3 NEW SUBPARAGRAPH. (7) Directly and primarily used to
4 produce electricity to be offered for sale, which electricity
5 is produced at a facility with a generating capacity greater
6 than five hundred megawatts by a person that is not a public
7 utility as defined under section 476.1, subsection 3.

8 Sec. 2. Section 423.3, subsection 47, paragraph c,
9 subparagraph (3), Code 2015, is amended to read as follows:

10 (3) Industrial machinery, equipment, and computers,
11 including pollution-control equipment within the scope of
12 section 427A.1, subsection 1, paragraphs "h" and "i". This
13 subparagraph (3) shall not apply to paragraph "a", subparagraph
14 (7), of this subsection.

15

EXPLANATION

16 The inclusion of this explanation does not constitute agreement with
17 the explanation's substance by the members of the general assembly.

18 This bill relates to the sales tax exemption in Code section
19 423.3(47) for the purchase or rental of computers, machinery,
20 equipment, replacement parts, and materials used to construct
21 such items (collectively "specified items") that are used in
22 certain activities. The bill provides that the specified
23 items will be exempt from the sales tax if they are directly
24 and primarily used to produce electricity to be offered for
25 sale, provided the electricity is produced at a facility with
26 a generating capacity greater than 500 megawatts by a person
27 that is not a public utility, as defined under Code section
28 476.1(3). Code section 476.1(3) generally defines a public
29 utility as a person that is furnishing gas or water by pipe
30 distribution system, electricity, or communication services to
31 the public for compensation.

32 Under current law, the sales tax exemption in Code section
33 423.3(47) does not apply to industrial machinery, equipment,
34 computers, and pollution-control equipment listed in Code
35 section 427A.1(1)(h) and (i) (property assessed as real

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1 property). The bill makes a conforming amendment to provide
2 that this exclusion from the sales tax exemption does not
3 apply to the specified items used to produce electricity to be
4 offered for sale.

5 By operation of Code section 423.6, an item exempt from the
6 imposition of the sales tax is also exempt from the use tax
7 imposed in Code section 423.5.